

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Saginaw County Building Authority	County Saginaw
Fiscal Year End September 30, 2007	Opinion Date March 31, 2008	Date Audit Report Submitted to State March 31, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

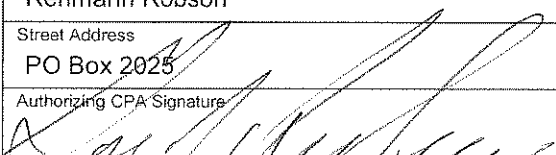
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None	
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989) 799-9580	
Street Address PO Box 2025		City Saginaw	State MI
Zip 48605			
Authorizing CPA Signature 	Printed Name Gerald J. Desloover, CPA		License Number 1101007126

County of Saginaw Building Authority,
A Component Unit of Saginaw County
Saginaw, Michigan

Basic Financial Statements

For the Year Ended
September 30, 2007

**COUNTY OF SAGINAW BUILDING AUTHORITY,
A COMPONENT UNIT OF SAGINAW COUNTY**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet – Governmental Funds	4-5
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7-8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Assets – Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12-13
Notes to Financial Statements	14-24



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

March 31, 2008

To the Board of Commissioners
County of Saginaw Building Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the **County of Saginaw Building Authority (the Authority)**, a component unit of Saginaw County, as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the County of Saginaw Building Authority as of September 30, 2007, and the respective changes in its financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,620,454	\$ 996,567	\$ 2,617,021
Receivables	4,238,872	290,425	4,529,297
Prepaid expenses	-	14,143	14,143
Inventory	-	35,700	35,700
Unamortized bond issue costs	-	74,877	74,877
Capital assets, net:			
Assets not being depreciated	-	18,614	18,614
Assets being depreciated	-	13,609,634	13,609,634
 Total assets	 <u>5,859,326</u>	 <u>15,039,960</u>	 <u>20,899,286</u>
 Liabilities			
Accounts payable	-	208,260	208,260
Accrued expenses	190,166	200,516	390,682
Due to primary government	-	1,460	1,460
Deposits payable	-	626,423	626,423
Unearned revenue	-	3,884	3,884
Unamortized premium / discount	-	14,844	14,844
Long-term liabilities:			
Due within one year	725,000	1,595,000	2,320,000
Due in more than one year	3,270,000	5,175,000	8,445,000
 Total liabilities	 <u>4,185,166</u>	 <u>7,825,387</u>	 <u>12,010,553</u>
 Net assets			
Invested in capital assets, net of related debt	-	6,858,248	6,858,248
Restricted for:			
Debt service	1,674,160	-	1,674,160
Unrestricted	-	356,325	356,325
 Total net assets	 <u>\$ 1,674,160</u>	 <u>\$ 7,214,573</u>	 <u>\$ 8,888,733</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Expenses	Program Revenues Charges for Services	Net Revenue (Expense) and Changes in Net Assets		
			Governmental Activities	Business-type Activities	Total
Governmental activities:					
Interest on long-term debt	\$ 177,503	\$ 179,710	\$ 2,207	\$ -	\$ 2,207
Business-type activities:					
Administration	37,160	19,150	-	(18,010)	(18,010)
Event Center	4,823,892	3,327,759	-	(1,496,133)	(1,496,133)
Total business-type activities	4,861,052	3,346,909	-	(1,514,143)	(1,514,143)
Total primary government	<u>\$ 5,038,555</u>	<u>\$ 3,526,619</u>	2,207	(1,514,143)	(1,511,936)
General revenues:					
Property taxes			-	2,608,635	2,608,635
Gain on sale of capital assets			-	150	150
Grants and contributions not restricted to specific programs			-	150,672	150,672
Investment income - interest earned			71,795	30,109	101,904
Transfers			136,570	(136,570)	-
Total general revenues and transfers			208,365	2,652,996	2,861,361
Change in net assets			210,572	1,138,853	1,349,425
Net assets - beginning of year			1,463,588	6,075,720	7,539,308
Net assets - end of year			<u>\$ 1,674,160</u>	<u>\$ 7,214,573</u>	<u>\$ 8,888,733</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

COUNTY OF SAGINAW BUILDING AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	911 Center	Sheriff Offices	Sheriff Wanigas Building
Assets			
Cash and cash equivalents	\$ 37,909	\$ 17,356	\$ 11,438
Due from primary government	-	-	-
Accrued interest receivable	317	150	99
Total assets	<u>\$ 38,226</u>	<u>\$ 17,506</u>	<u>\$ 11,537</u>
Fund balances			
Reserved for debt service	<u>\$ 38,226</u>	<u>\$ 17,506</u>	<u>\$ 11,537</u>

The accompanying notes are an integral part of these financial statements.

Jail Renovation Phase V	Probate Renovation II	Animal Control Building	MSU Extension Building	Health Building Renovation
\$ 304,816	\$ 255,193	\$ 243,046	\$ 117,039	\$ 29,987
-	-	-	-	-
2,634	2,205	2,100	1,011	260
\$ 307,450	\$ 257,398	\$ 245,146	\$ 118,050	\$ 30,247
\$ 307,450	\$ 257,398	\$ 245,146	\$ 118,050	\$ 30,247

(Continued)

COUNTY OF SAGINAW BUILDING AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	Senior Activity Center	Courthouse Addition and Office Building Renovation	Jail Renovation
Assets			
Cash and cash equivalents	\$ 703	\$ 59,072	\$ 9,074
Due from primary government	-	-	-
Accrued interest receivable	6	512	79
Total assets	<u>\$ 709</u>	<u>\$ 59,584</u>	<u>\$ 9,153</u>
Fund balances			
Reserved for debt service	<u>\$ 709</u>	<u>\$ 59,584</u>	<u>\$ 9,153</u>

The accompanying notes are an integral part of these financial statements.

Airport Improvements		Mental Health Group Homes		Mental Health OBRA Homes		Total Governmental Funds	
\$	20,815	\$	283,531	\$	230,475	\$	1,620,454
	39,966		-		-		39,966
	181		2,210		1,976		13,740
\$	60,962	\$	285,741	\$	232,451	\$	1,674,160
\$	60,962	\$	285,741	\$	232,451	\$	1,674,160

COUNTY OF SAGINAW BUILDING AUTHORITY
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2007

Fund balances - total governmental funds	\$ 1,674,160
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Amounts reported for governmental activities in the statement
of net assets are different because:

Other long-term assets are not available to pay for current
period expenditures and, therefore, are either deferred or
otherwise not recorded in the funds:

Add - leases receivable	4,185,166
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore, are not reported
in the funds:

Deduct - bonds payable	(3,995,000)
Deduct - accrued interest on bonds payable	(190,166)

Net assets of governmental activities	<u>\$ 1,674,160</u>
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The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	911 Center	Sheriff Offices	Sheriff Wanigas Building
Revenues			
Interest earned on investments	\$ 2,006	\$ 939	\$ 627
Rents and royalties	67,518	28,625	19,687
Total revenues	69,524	29,564	20,314
Expenditures			
Debt service:			
Principal	58,685	32,369	22,488
Interest and fiscal charges	6,375	3,518	2,444
Total expenditures	65,060	35,887	24,932
Revenues over (under) expenditures	4,464	(6,323)	(4,618)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(100)	(200)	(100)
Total other financing sources (uses)	(100)	(200)	(100)
Net change in fund balances	4,364	(6,523)	(4,718)
Fund balance, beginning of year	33,862	24,029	16,255
Fund balance, end of year	\$ 38,226	\$ 17,506	\$ 11,537

The accompanying notes are an integral part of these financial statements.

Jail Renovation Phase V		Probate Renovation II		Animal Control Building		MSU Extension Building		Health Building Renovation	
\$	14,603	\$	12,226	\$	11,644	\$	5,606	\$	1,648
	38,373		57,277		69,856		55,064		35,633
	52,976		69,503		81,500		60,670		37,281
	32,355		39,645		45,435		32,565		44,765
	32,122		39,363		45,108		32,332		4,862
	64,477		79,008		90,543		64,897		49,627
	(11,501)		(9,505)		(9,043)		(4,227)		(12,346)
	-		-		-		-		-
	(300)		(400)		(400)		(300)		(300)
	(300)		(400)		(400)		(300)		(300)
	(11,801)		(9,905)		(9,443)		(4,527)		(12,646)
	319,251		267,303		254,589		122,577		42,893
\$	307,450	\$	257,398	\$	245,146	\$	118,050	\$	30,247

(Continued)

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Senior Activity Center	Courthouse Addition and Office Building Renovation	Jail Renovation
Revenues			
Interest earned on investments	\$ 32	\$ 3,248	\$ 497
Rents and royalties	45,813	112,038	17,244
Total revenues	45,845	115,286	17,741
Expenditures			
Debt service:			
Principal	41,297	125,831	19,283
Interest and fiscal charges	4,488	13,671	2,094
Total expenditures	45,785	139,502	21,377
Revenues over (under) expenditures	60	(24,216)	(3,636)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	(700)	(100)
Total other financing sources (uses)	-	(700)	(100)
Net change in fund balances	60	(24,916)	(3,736)
Fund balance, beginning of year	649	84,500	12,889
Fund balance, end of year	\$ 709	\$ 59,584	\$ 9,153

The accompanying notes are an integral part of these financial statements.

Airport Improvements	Mental Health Group Homes	Mental Health OBRA Homes	Total Governmental Funds
\$ 1,144	\$ 9,103	\$ 8,472	\$ 71,795
80,397	124,513	150,013	902,051
81,541	133,616	158,485	973,846
45,134	125,148	50,000	715,000
4,902	13,597	7,925	212,801
50,036	138,745	57,925	927,801
31,505	(5,129)	100,560	46,045
-	140,570	-	140,570
(300)	(600)	(200)	(4,000)
(300)	139,970	(200)	136,570
31,205	134,841	100,360	182,615
29,757	150,900	132,091	1,491,545
\$ 60,962	\$ 285,741	\$ 232,451	\$ 1,674,160

COUNTY OF SAGINAW BUILDING AUTHORITY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - total governmental funds	\$ 182,615
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the funds that represent repayment of loans receivable do not affect the statement of activities	(722,341)
Add - decrease in prepayment of interest expense	27,957
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	715,000
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the funds.	
Add - increase in accrued interest payable	<u>7,341</u>
Change in net assets of governmental activities	<u><u>\$ 210,572</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2007

	Event Center	Nonmajor Fund Administration	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 804,443	\$ 192,124	\$ 996,567
Accounts receivable	80,354	-	80,354
Taxes receivable	70,190	-	70,190
Accrued interest receivable	883	1,613	2,496
Due from primary government	137,385	-	137,385
Inventory	35,700	-	35,700
Prepaid expenses	14,143	-	14,143
Unamortized bond issue costs	74,877	-	74,877
Total current assets	1,217,975	193,737	1,411,712
Noncurrent assets - capital assets:			
Land	18,614	-	18,614
Buildings and improvements	14,000,235	-	14,000,235
Machinery and equipment	896,949	-	896,949
Office furniture and fixtures	61,201	-	61,201
Vehicles	29,518	-	29,518
Accumulated depreciation	(1,378,269)	-	(1,378,269)
Total noncurrent assets - capital assets	13,628,248	-	13,628,248
Total assets	14,846,223	193,737	15,039,960
Liabilities			
Current liabilities:			
Accounts payable	208,260	-	208,260
Accrued expenses	200,516	-	200,516
Due to primary government	1,460	-	1,460
Deposits payable	626,423	-	626,423
Unearned revenue	3,884	-	3,884
Unamortized premium / discount	14,844	-	14,844
Bonds payable - current	1,595,000	-	1,595,000
Total current liabilities	2,650,387	-	2,650,387
Noncurrent liabilities:			
Bonds payable	5,175,000	-	5,175,000
Total liabilities	7,825,387	-	7,825,387
Net assets			
Invested in capital assets, net of related debt	6,858,248	-	6,858,248
Unrestricted	162,588	193,737	356,325
Total net assets	\$ 7,020,836	\$ 193,737	\$ 7,214,573

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Event Center	Nonmajor Fund Administration	Total
Operating revenues			
Charges for services	\$ 3,327,759	\$ 19,150	\$ 3,346,909
Other revenue	150,672	-	150,672
Total operating revenues	3,478,431	19,150	3,497,581
Operating expenses			
Personal services	1,457,819	990	1,458,809
Fringe benefits	532,040	-	532,040
Supplies	541,856	-	541,856
Services and charges	1,346,960	36,170	1,383,130
Other operating expenses	249,304	-	249,304
Amortization	13,836	-	13,836
Depreciation	382,424	-	382,424
Total operating expenses	4,524,239	37,160	4,561,399
Operating income (loss)	(1,045,808)	(18,010)	(1,063,818)
Nonoperating revenue (expenses)			
Property taxes	2,608,635	-	2,608,635
Gain on sale of capital assets	150	-	150
Interest income	18,067	12,042	30,109
Interest expense and fiscal charges	(299,653)	-	(299,653)
Total nonoperating revenue (expenses)	2,327,199	12,042	2,339,241
Income (loss) before transfers	1,281,391	(5,968)	1,275,423
Transfers			
Transfers in	-	9,500	9,500
Transfers (out)	(5,500)	(140,570)	(146,070)
Net transfers	(5,500)	(131,070)	(136,570)
Change in net assets	1,275,891	(137,038)	1,138,853
Net assets, beginning of year	5,744,945	330,775	6,075,720
Net assets, end of year	\$ 7,020,836	\$ 193,737	\$ 7,214,573

The accompanying notes are an integral part of these financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Event Center	Nonmajor Fund Administration	Total
Cash flows from operating activities:			
Receipts from customers	\$ 3,312,681	\$ 18,751	\$ 3,331,432
Payments for interfund services provided	(67,573)	-	(67,573)
Payments to employees	(2,029,777)	(990)	(2,030,767)
Payments to suppliers	(2,000,322)	(60,970)	(2,061,292)
Other operating revenue	150,672	-	150,672
Net cash (used in) operating activities	(634,319)	(43,209)	(677,528)
Cash flows from noncapital financing activities:			
Property taxes	2,608,635	-	2,608,635
Transfers in	-	9,500	9,500
Transfers (out)	(5,500)	(140,570)	(146,070)
Net cash provided by (used in) noncapital financing activities	2,603,135	(131,070)	2,472,065
Cash flows from capital and related financing activities:			
Principal paid on bonds	(1,540,000)	-	(1,540,000)
Interest paid on bonds	(299,653)	-	(299,653)
Proceeds from sale of capital assets	150	-	150
Net cash (used in) capital and related financing activities	(1,839,503)	-	(1,839,503)
Cash flows from investing activities:			
Interest received	18,067	12,042	30,109
Net increase (decrease) in cash and cash equivalents	147,380	(162,237)	(14,857)
Cash and cash equivalents - beginning of year	657,063	354,361	1,011,424
Cash and cash equivalents - end of year	\$ 804,443	\$ 192,124	\$ 996,567

The accompanying notes are an integral part of these financial statements

COUNTY OF SAGINAW BUILDING AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Event Center	Nonmajor Fund Administration	Total
Cash flows from operating activities:			
Operating (loss)	\$ (1,045,808)	\$ (18,010)	\$ (1,063,818)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	382,424	-	382,424
(Increase) decrease in assets:			
Accounts receivable	(8,823)	-	(8,823)
Taxes receivable	(6,156)	-	(6,156)
Accrued interest receivable	(459)	(399)	(858)
Due from primary government	(5,279)	-	(5,279)
Inventory	6,238	-	6,238
Prepaid expenses	(6,976)	-	(6,976)
Unamortized bond issue costs	17,268	-	17,268
Increase (decrease) in liabilities:			
Accounts payable	(64,307)	(24,800)	(89,107)
Accrued expenses	(39,918)	-	(39,918)
Due to primary government	(62,294)	-	(62,294)
Deposits payable	202,843	-	202,843
Unearned revenue	360	-	360
Unamortized premium	(3,432)	-	(3,432)
Net cash (used by) operating activities	\$ (634,319)	\$ (43,209)	\$ (677,528)

The accompanying notes are an integral part of these financial statements

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *County of Saginaw Building Authority* (“the Authority”) was incorporated by the County of Saginaw (the “County”) on August 1, 1972, under the provisions of Act 31, Public Acts of Michigan, 1948 (First Extra Session), as amended. The purpose of the Authority is to acquire, furnish, equip, own, improve, enlarge, operate and maintain buildings, automobile parking lots or structures and the necessary site or sites for the use of any legitimate public purpose of the County of Saginaw.

A. Reporting Entity

These financial statements represent the financial condition and the results of operations of a blended component unit of the County and are an integral part of that reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Authority reports the following major governmental funds:

Debt Service Funds:

- 911 Center
- Sheriff Offices
- Sheriff Wanigas Building
- Jail Renovation Phase V
- Probate Renovation II
- Animal Control Building
- MSU Extension Building
- Health Building Renovation
- Senior Activity Center
- Courthouse Addition and Office Building Renovation
- Jail Renovation
- Airport Improvements
- Mental Health Group Homes
- Mental Health OBRA Homes

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Authority reports the following major proprietary fund:

The *Event Center fund* accounts for the operations of the Dow Event Center.

Debt Service funds account for the accumulation of resources for, and the payment of interest and principal on bonded debt.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the event center are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

2. Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Leases Receivable

The Authority has entered into various lease agreements with the County and other governments for buildings acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the County or other government.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, Accounting for Leases, the Authority's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

4. Inventory

Inventories, which consist of various food and beverage supplies, are valued at average cost using first-in / first-out (FIFO) method. Costs related to inventory purchases are recorded as assets when purchased and charged to expense when used.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Building and improvements	5-45 years
Machinery and equipment	3-10 years

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

8. Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

At year-end, the carrying amounts of the Authority's deposits were as follows:

	Cash and Cash <u>Equivalents</u>
Cash on hand	\$ 47,463
Checking / other demand accounts	722,576
Cash on deposit with Saginaw County internal cash management pool	<u>1,846,982</u>
	<u><u>\$2,617,021</u></u>

This entire balance is considered to be deposits for disclosure purposes.

Deposit and investment risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

Interest Rate Risk. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. At year-end, the Authority had no investments and was therefore, not exposed to credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, The Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. At year-end, \$630,390 of the Authority's bank balance of \$730,390 was exposed to custodial credit risk because it was uninsured and uncollateralized. FDIC coverage cannot be determined for deposits with the County.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. At year-end, The Authority had no investments and was therefore, not exposed to concentration of credit risk.

B. Receivables

Receivables in the primary government are as follows:

	Governmental Activities	Business-type Activities
Accounts	\$ -	\$ 80,354
Taxes	-	70,190
Due from primary government	39,966	137,385
Leases		
Due within one year	915,166	-
Due after one year	3,270,000	-
Interest	<u>13,740</u>	<u>2,496</u>
	<u>\$ 4,238,872</u>	<u>\$ 290,425</u>

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. Capital Assets

Capital assets activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 18,614	\$ -	\$ -	\$ 18,614
Capital assets being depreciated:				
Buildings and improvements	14,000,235	-	-	14,000,235
Machinery and equipment	896,949	-	-	896,949
Office furniture and fixtures	61,201	-	-	61,201
Vehicles	<u>29,518</u>	<u>-</u>	<u>-</u>	<u>29,518</u>
Total capital assets being depreciated	<u>14,987,903</u>	<u>-</u>	<u>-</u>	<u>14,987,903</u>
Less accumulated depreciation				
Buildings and improvements	(848,075)	(317,528)	-	(1,165,603)
Machinery and equipment	(127,785)	(55,672)	-	(183,457)
Office furniture and fixtures	(7,194)	(3,320)	-	(10,514)
Vehicles	<u>(12,791)</u>	<u>(5,904)</u>	<u>-</u>	<u>(18,695)</u>
Total accumulated depreciation	<u>(995,845)</u>	<u>(382,424)</u>	<u>-</u>	<u>(1,378,269)</u>
Total capital assets being depreciated, net	<u>13,992,058</u>	<u>(382,424)</u>	<u>-</u>	<u>13,609,634</u>
Business-type activities capital assets, net	\$ <u>14,010,672</u>	\$ <u>(382,424)</u>	\$ <u>-</u>	\$ <u>13,628,248</u>

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:	
Event Center	\$ <u>382,424</u>

D. Interfund Receivables, Payables and Transfers

<u>Transfer from</u>	<u>Transfer to</u> <u>Administration</u>
911 Center	\$ 100
Sheriff Offices	200
Sheriff Wanigas Building	100
Jail Renovation Phase V	300
Probate Renovation II	400
Animal Control Building	400
MSU Extension Building	300
Health Building Renovation	300
Courthouse Addition & Office Building Renovation	700
Jail Renovation	100
Airport Improvements	300
Mental Health Group Homes	600
Mental Health OBRA Homes	200
Event Center	<u>5,500</u>
Total	\$ <u>9,500</u>

Transfers are made to move unrestricted revenue to the Administration Enterprise Fund in order to finance administrative costs related to operations of the Building Authority.

<u>Transfer from</u>	<u>Transfer to</u> <u>Mental Health Group Homes</u>
Administration	\$ <u>140,570</u>

A transfer was made from the Administration Enterprise Fund to the Mental Health Group Homes Debt Service Fund to refund excess administrative costs.

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

E. Long-term Debt

The Authority issues general obligation bonds to provide funds for the construction and acquisition of major capital facilities. The original amount of general obligation bonds issued in prior years was \$21,360,000. No new general obligation bonds were issued during the year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
1995 revenue bonds	2.75-5.75%	\$ 210,000
1999 revenue bonds	4.50-6.50%	2,700,000
2002 revenue bonds – refunding of 1993 revenue bonds	3.0-4.0%	1,085,000
Business-type activities:		
2002 revenue bonds	1.23-4.0%	<u>6,770,000</u>
		<u>\$ 10,765,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 725,000	\$ 181,650	\$ 1,595,000	\$ 266,812
2009	785,000	152,550	1,655,000	207,000
2010	230,000	117,275	1,725,000	140,800
2011	255,000	104,388	1,795,000	71,800
2012	200,000	93,375	-	-
2013-2017	1,150,000	320,813	-	-
2018-2019	<u>650,000</u>	<u>43,875</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,995,000</u>	<u>\$ 1,013,926</u>	<u>\$ 6,770,000</u>	<u>\$ 686,412</u>

COUNTY OF SAGINAW BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Ending Reductions	Balance	Due within One Year
Governmental activities:					
General obligation bonds	<u>\$ 4,710,000</u>	<u>\$ -</u>	<u>\$ (715,000)</u>	<u>\$ 3,995,000</u>	<u>\$ 725,000</u>
Business-type activities					
General obligation bonds	<u>\$ 8,310,000</u>	<u>\$ -</u>	<u>\$(1,540,000)</u>	<u>\$ 6,770,000</u>	<u>\$1,595,000</u>

III. OTHER INFORMATION

A. Related Party Activity

Under statutes of the State of Michigan, the Board of Commissioners of the County of Saginaw appoints the Board of the Building Authority. Also, a significant amount of the financial activity of the Building Authority represents receipts from and disbursements to various departments of the County of Saginaw.

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